Receivables

- Trade
  - Note Rec
  - Acc Rec
- Non-trade

---

* Account Receivables

1. Recognizing AR الاعتراف
2. valuing AR تقييم
3. Disposing AR ~~xxx~~ تخلص

---

1. Recognizing AR

- Dr Acc. Rec
  - Cr Ser. Rev

---

2. valuing AR → Determining the uncollected amount

2 Methods

Direct write off | Allowance Method

- Direct write off

← في حال عدم قدرة العملاء والزبائن على دفع الديون للمؤسسة بعدم هادي الديون

* طيب كيف يعني بعدم دين ؟؟

Dr Bad Debt Expense
  Cr Account Recevaible
} هيك بكون اعدمت الدين

Bad Debt Expense —اختصارها→ BDE

Direct Write-off method EXP ①

ABC company had JD35,000 accounts receivable. On September 23rd the company wrote off JD430 of accounts receivable as uncollectible amounts.
Prepare the necessary entry.

Dr BDE 430
  Cr AR 430

* هون بستخدم يلي رح أعدمه مباشرة يلي 430

- Allowance Method
  * Estimating BDE
~~تقدير~~ تقدير
* حسب الطريقة الثانية يتم تقدير الديون المعدومة

2 Bases to estimate BDE
  - Percentage of sales
- Emphysize on the relation of Income statment

- Required End. Bal of AFDA = Sales * BDE %

AFDA ⟶ Allowance For Doubtful Accout

  - Percentage of Receivables
- Emphysize on the relation of Financial Position statement

- Required End. Bal of AFDA = AR * BDE %

* طيب شو القيد ؟؟

-Dr BDE
  Cr AFDA
} هاد القيد قيد تسوية

↳ Contra Asset Account

* ملاحظة :- الـ Contra لأي حساب بتكون عكس طبيعة الحساب الاصلي دائماً

مثال

Asset → Debt
Contra asset → Credit

Allowance method

exp ②

Smart Corporation reports the following financial information

	Debit	Credit
Accounts Receivable	100,000	
Allowance for doubtful Accounts		2,000
Sales (all on credit)		900,000
Sales Returns and Allowances	50,000	

1. Prepare the journal entry to record Bad Debt Expense assuming Corp. ***estimates*** bad debts at (a) 1% net sales

(b) 5% of accounts receivables
(c) According to the following Aging schedule

Customer Name	Balance Dec. 31	Under 60 days	61 – 90 days	91- 120 days	Over 120 days
Samer Corp.	34,000	15,000	19,000		
Hazem Corp	27,000			27,000	
Huda Corp.	24,000		4,000	20,000	
Eyad Corp	15,000				15,000
Total	100,000	15,000	23,000	47,000	15,000
Percentage estimated		1%	5%	15%	40%
Required Balance in Allowance					

1. a) Required End. Bal of AFDA

(900,000 − 50,000) * 0.01 = 8,500

Dr. BDE 8,500
Cr AFDA 8,500

b. Required End. Bal For AFDA
= 100,000 * 0.05
= 5,000

---

* Writting off
↲ هون يتم اعدام الديون وبتكون المبالغ فعلية

* طيب كيف بدي اعدم الدينة ؟؟
- Dr AFDA
  Cr AR
* طيب كيف رح اميز بين هي النقطة وبين ال الطريقة الأولى للتقييم ؟؟
↲ من نفس السؤال ، بيكون موضح اي طريقة تستخدم .

---

* Recovering Writting off
↲ في حال سدد الزبون الدين أو جزء منه بعد اعدامه

* بيلزمنا قيدين
- Dr AR
  Cr AFDA

- Dr cash
  Cr AR

2. Assume J.D.1300 was written off. Journalize this transaction.

3. Assume that Eyad paid J.D. 270 from the amount that was written off above. Journalize the transaction.

2) Dr AFDA 1,300
Cr A.R 1,300

3) - Dr AR 270
Cr AFDA 270

- Dr Cash 270
Cr AR 270

* ملاحظة :- في مرحلة ال Estimating قيمة الدين بتكون مقدرة ، أما بالمرحلة الثانية والثالثة قيمة الدين بتكون فعلية

③ Disposing of AR
a) Sales of AR

Happiness Company factored JD 500,000 accounts receivables to Arab Bank which assesses Charge fees of 3% of Accounts receivables.
Prepare the necessary entry in Happiness company books.

- Dr Cash 485,000 → (500,000 - 15,000)
Dr ser. Charge Exp 15,000
Cr. Account Receivables 500,000

* Ser. Charge Exp = 500,000 * 3 %
= 15,000

b) Credit Card Sales

Alaa purchased goods of JD 2,000 from Yousef Shop using her visa Credit Card. The issuer of the card charges 5% for service fees.
Prepare the necessary entry for Yousef.

- Dr Cash 1,900 → (2000 - 100)
Dr S.C.E 100
Cr Sales 2,000

S.C.E → Service Charge Expense
Ser. Charge. Exp = 2,000 * 5 %
= 100

* Notes Receivables

لن عكنه إنها تكون طويلة أو قصيرة الأجل

NR أطراف

Maker | Payee

- Determining the maturity date

- The maturity date of two-month note dated on June 30 is 31 Aug
- The maturity date of 60-day note dated on June 30 is 29 Aug

* ملاحظة :- اذا تم استخدام طريقة الايام في حساب تاريخ الاستحقاق لا يتم احتساب تاريخ الاصدار

June 31 → 1 day
July 1-31 → 31 day
Aug 1-28 → 28 day
60 days

Aug 29 → maturity ~~date~~ date

→ Computing Interest

* طيب كيف بدي احسب الفوائد ؟؟

Amount of Interest = F.V of Note × Annual Int. Rate × Time in terms of one year

↲ هيك بنحسب الفوائد

On August 1, Strength Company issued $20,000, 12%, 1-year note. Compute the interest revenue accrued on December 31, 2016.

$20{,}000 * 12\% \quad \frac{5}{12} = 1{,}000$

Aug 1 → Dec 31 5 Months

→ Recognizing NR

Proud Company issued note to ABC Company settle an open account of $780. Prepare the necessar entry in ABC Company's books.

- Dr NR 780
  Cr AR 780

* بهاد المثال بدلنا ال AR ب NR

* ملاحظة :- بس نحسب الفوائد لازم تنتبه للتواريخ

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→ Disposing NR

- Honor of NR
- Dishonor of NR (With ability to pay later)
- Dishonor of NR (Without ability to pay later)

First: Honor of Notes Receivable

- Assume Basel Company lends Waleed Company $20,000 on June 1, 2016 accepting 5-month, 12%, note.

  Prepare the necessary entry on:

  1) June 1.

  2) November 1.

---

1) June 1 Dr Cash 20,000
   Cr NR 20,000

2) Nov 1 → Maturity Date
   Dr Cash 21,000 → (20,000 + 1,000)
   Cr NR 20,000
   Cr Int. Rev 1,000 → ($20,000 * 12\% * \frac{5}{12}$)

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- Assume Basel Company lends Waleed Company $20,000 on November 1, 2016 accepting 5-month, 12%, note. (Assume that the company prepares the adjusting entries at December 31)

Prepare the necessary entry on:
1) November 1, 2016.
2) April 1, 2017.

1) Nov 1, 2016 Dr Cash 20,000
Cr N.R 20,000

* Dec 31, 2016 ← في عنا قيد تسوية
Dr Int. Rec 400
Cr Int. Rec 400
↳ (20,000 * 12% * $\frac{2}{12}$)

2) Apr 1, 2017 Dr cash 21,000
Cr NR 20,000
Cr Int. Rec 400
Cr Int. Rev 600
↳ (20,000 * 12% * $\frac{3}{12}$)

Second: Dishonor of Notes Receivable (with ability to pay later)

Assume Basel Company lends Waleed Company $20,000 on June 1, 2016 accepting 5-month, 12%, note. On September 30 Waleed Company indicates that it cannot pay at the present time.
Prepare the necessary entry on:
1) June 1.
2) September 30 (if it is expected that the amount will be paid later).

1) June 1 Dr NR 20,000
Cr Cash 20,000

2) Accrued Int = 20,000 * 12% * $\frac{4}{12}$
= 800

Sept 30 Dr AR 20,800
Cr NR 20,000
Cr Int. Rev 800

لـ بما انه مابيقدر يسدد الا الشهر 9 فبنضرب
ب $\frac{4}{12}$

Third: Dishonor of Notes Receivable (with NO ability to pay later)

Assume Basel Company lends Waleed Company $20,000 on June 1, 2016 accepting 5-month, 12%, note. On September 30 Waleed Company indicates that it cannot pay at the present time.
Prepare the necessary entry on:
1) June 1.
2) September 30 (if it is not expected that the amount will be paid later).

1) June 1 Dr NR 20,000
Cr Cash 20,000

2) Sept 30 Dr AFDN 20,000
Cr NR 20,000

له في حال عدم القدرة على السداد يتم إعدام ال NR زي مابنعدم ال AR

---

* قوانين مهمة

1) Receivable turnover = $\frac{\text{Net Credit Sales}}{\text{Average AR}}$
↳ Account

2) Average AR = $\frac{\text{Beg Bal of AR} + \text{End Bal of AR}}{2}$

3) Days of Collection = $\frac{365}{\text{AR Turnover}}$

انتهى الشابتر

* اسئلة مهمة

EXERCISE 8-5:

The ledger of Blue Company at the end of the current year shows Accounts Receivable $60,000, Sales $420,000, and Sales return and allowances $20,000.

Instructions

(a) If Blue uses the direct write-off method to account for uncollectible accounts, journalize the adjusting entry at December 31, assuming Blue determines that Hani's $500 balance is uncollectible.

(b) If allowance for Doubtful Accounts has a **credit balance** of $5,000 in the trial balance, journalize the adjusting entry at December 31, assuming bad debts are expected to be

(1) 1% of net sale, and

(2) 10% of accounts receivable.

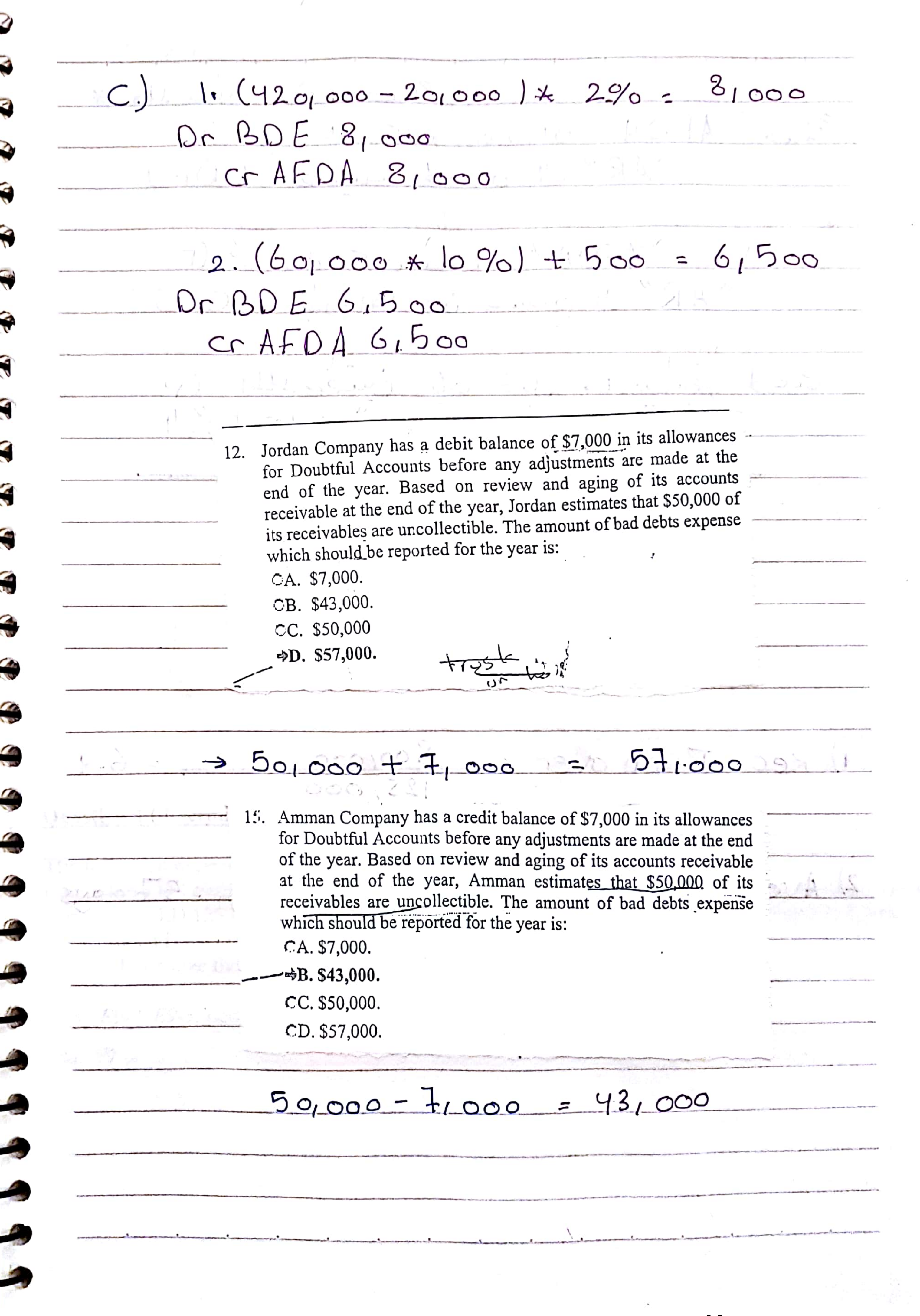
(c) If allowance for Doubtful Accounts has a **debit balance** of $500 in the trial balance, journalize the adjusting entry at December 31, assuming bad debts are expected to be

(1) 2% of net sale, and
(2) 10% of accounts receivable.

a) Dr BDE 500
Cr AR 500

b) 1. (420,000 - 20,000) * 1% = 4,000
~~Dr AFDA~~ Dr BDE 4,000
~~Cr~~ Cr AFDA 4,000

2. (60,000 * 10%) - 5,000 = 1,000
Dr BDE 1,000
Cr AFDA 1,000



c.) 1. (420,000 − 20,000) * 2% = 8,000

Dr BDE 8,000

Cr AFDA 8,000

2. (60,000 * 10%) + 500 = 6,500

Dr BDE 6,500

Cr AFDA 6,500

12. Jordan Company has a debit balance of $7,000 in its allowances for Doubtful Accounts before any adjustments are made at the end of the year. Based on review and aging of its accounts receivable at the end of the year, Jordan estimates that $50,000 of its receivables are uncollectible. The amount of bad debts expense which should be reported for the year is:

A. $7,000.

B. $43,000.

C. $50,000

D. $57,000.

→ 50,000 + 7,000 = 57,000

15. Amman Company has a credit balance of $7,000 in its allowances for Doubtful Accounts before any adjustments are made at the end of the year. Based on review and aging of its accounts receivable at the end of the year, Amman estimates that $50,000 of its receivables are uncollectible. The amount of bad debts expense which should be reported for the year is:

A. $7,000.

B. $43,000.

C. $50,000.

D. $57,000.

50,000 − 7,000 = 43,000

Accounting 2 Chapter 9

Proparty, Plant and Equipment
(PPE)

* لكل اشي في شروط عشان يكون صح ، و شروط الأصول الثابتة كالتالي :-

1) Long lived tangible assets
2) Are currently used in operations
3) Not intended for sales to customers

Examples :-

* Land → Un deprecaible assets
* ~~Impro~~ Land Improvments
* Buildings
* Equipment

(PPE) امثلة على 4 لـ هدول أشهر

* Determining the Cost of PPE

Question 1 (determining cost of plant assets)

The following expenditures were incurred by XYZ Company in purchasing a land
Cash price J.D 120,000, accrued property taxes J.D 2750, attorney's fees J.D430, real estate broker's commission J.D 1250, parking lots J.D 3,200, fences J.D 820, and clearing and grading J.D 4,200.

a. What is the cost of the land?
b. Journalize the necessary entries.

Solve E9-2, E9-3, page 462-463.

a) 120,000 + 2,750 + 430 + 1,250 + 4,200
= 128,630 $

b) Dr Land 128,630
Dr Land-impr. 4,020 (3,200 +820)
Cr Cash 132,650

---

* تكلفة الاصل الثابتة تشمل كل تكاليف شراء ما عدا التي تحتاج إلى تجديد كل فترة زمنية معينة ، مثل رخصة القيادة و التأمين السنوي

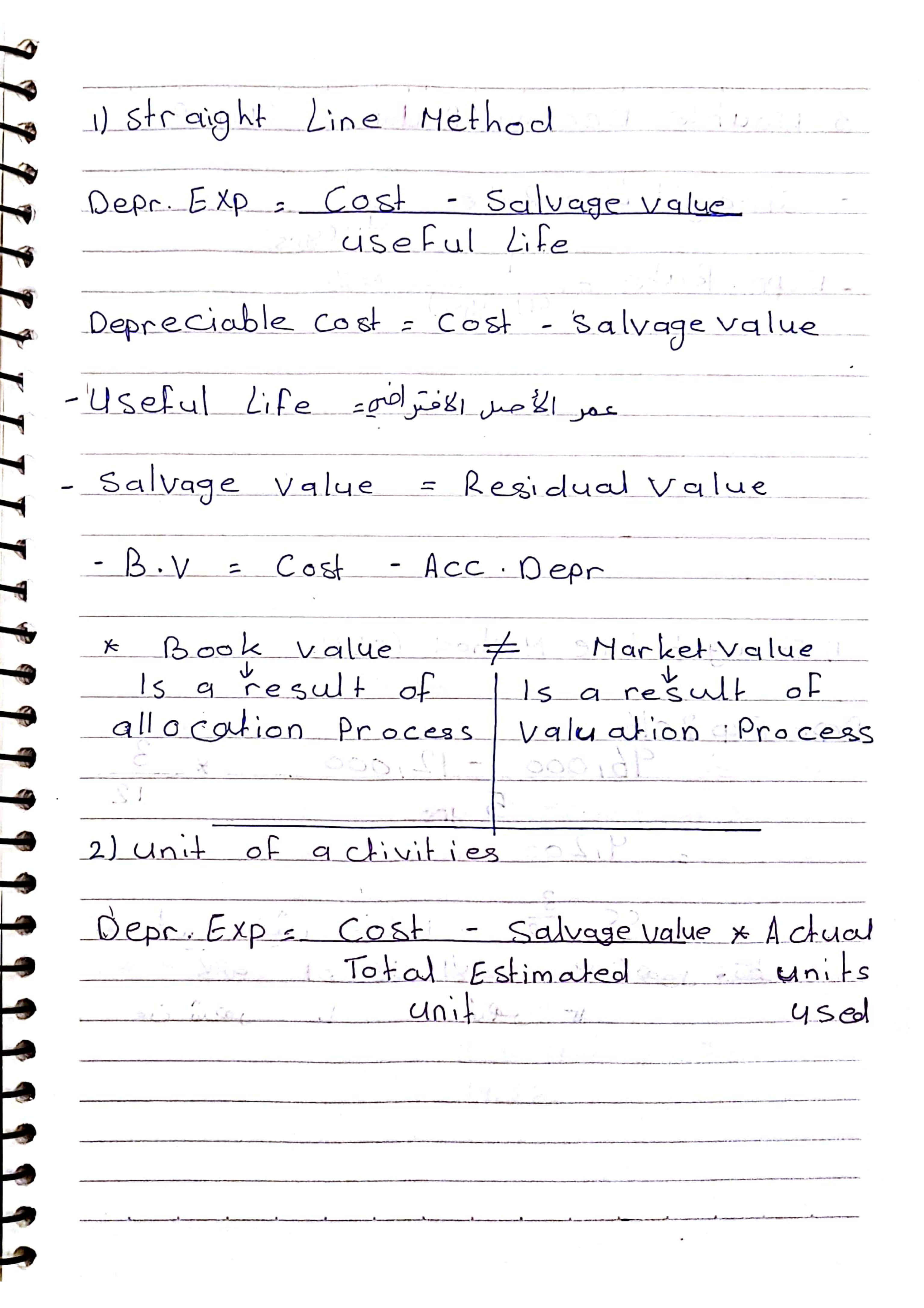
* In determining cost of land, we should include:-
1) Cost of removing the old Building
2) Cost of clearing and grading

---

* Depreciation Method
ملاحظة:- كل الأصول الثابتة يتم اهتلاكها ماعدا الأراضي

← طيب أنا كيف بدي احسب اهتلاك الاصل

- في عنا ٣ طرق لنحسب الاهتلاك ، وهما
1) Stright Line Method (SLM)
2) Units of Activities
3) Double Decling Balance (DDB)



1) Straight Line Method

$$\text{Depr. Exp} = \frac{\text{Cost} - \text{Salvage value}}{\text{useful Life}}$$

Depreciable cost = Cost - Salvage value

- Useful Life = عمر الأصل الافتراضي

- Salvage value = Residual value

- B.V = Cost - Acc. Depr

* Book value	≠ Market value
Is a result of allocation Process	Is a result of valuation Process

2) Unit of activities

$$\text{Depr. Exp} = \frac{\text{Cost} - \text{Salvage value}}{\text{Total Estimated unit}} \times \text{Actual units used}$$

3) Double Decling Balance (DDB)

- Straight Line Rate = $\frac{1}{UL\ (yrs)}$

- Depr. Rate = $\frac{1}{UL(yrs)} * 2$

Question 2 (depreciation methods)

Arab company purchased a new machine on October 1, 2016, at a cost of $96,000. The company estimated that the machine will have a salvage value (residual value) of $ 12,000. The machine is expected to be used for 10,000 working hours during its 5-year life.

Compute the depreciation expense for the year 2016 and 2017 under the following methods:

1. Straight line method
2. Units of activity for 2016 and 2017, assuming machine usage was 1,700 and 1,450 hours respectively.
3. Declining – balance using double the straight-line rate.

Solve E9-7, page 463.

1) Straight Line Method (SLM)

Depr. Exp 2016

$= \frac{96,000 - 12,000}{5\ yrs} * \frac{3}{12}$

$= 4,200$

* طيب ليش ضربنا ب $\frac{3}{12}$ ؟؟

لأنه امتلكنا الاصل ٣ شهور فقط

من شهر ١٠ لـ شهر ١٢

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طيب أنا عارف كيف اطلع قيمة الاهتلاك ، طيب كيف بكون قيد الاهتلاك ؟؟

Dr Depr. Exp 4,200
    Cr Acc. Depr 4,200

- Depr. Exp 2017 $= \frac{96,000 - 12,000}{5} * \frac{12}{12}$

$= 16,800$

* طيب هون ليش ضربنا ب $\frac{12}{12}$ مش ب $\frac{3}{12}$ مثل اهتلاك سنة 2016 ؟؟
لأنه اهتلكنا الاصل طول السنة مش بس ٣ شهور

ملاحظة :- لو تم اهتلاك الاصل لسنة ما في داعي اضربه ب $\frac{12}{12}$

Dr. Depr Exp 16,800
    Cr Acc. Depr 16,800

ل 2016 ← → ل 2017

B.V 2017 = 96,000 - (4200 + 16 800)
= 75,000

---

2) Units of Activities

Depr. Exp ~~2016~~ $= \frac{96,000 - 12,000}{10,000} * 1,700$

$= 8.4 / unit * 1,700$

$= 14,280$

- عشان يسأل عن قيمة الاهتلاك للوحدة الواحدة طول الفترة كاملة

Depr. Exp 2017 = 8.4 / unit * 1,450
= 12,180

$B.V_{2017}$ = 96,000 − (14,280 + 12,180)
= 69,540

3) Double Decling Balance (DDB)

Depr. Rate = $\frac{1}{5}$ * 2

= 40 %

year	B.V Beg.Bal	Depr Rate	Depr EXP	Acc. Depr.	B.V End Bal
1/10/2016	96,000	–	–	–	96,000
31/12/2016	96,000	40 %	9,600	9,600	86,400
31/12/2017	86,400	40 %	34,560	44,160	51,840
31/12/2018	51,840	40 %	20,736	64,896	31,104

ملاحظة :-

١) الـ Depr Rate ثابتة لكل السنوات

٢) القيمة الدفترية في نهاية السنة الحالية تعتبر القيمة الدفترية في بداية الفترة القادمة

٣) قيمة الـ Acc. Depr بتختلف من طريقة لأخرى بس في أخر سنة من عمر الاصل لازم يتساو

* Component Depreciation

Question 3 (Component Depreciation)

Mousa Company constructed a warehouse for $280,000. Mousa estimates that the warehouse has a useful life of 20 years and no residual value. Construction records indicate that $40,000 of the cost of the warehouse relates to its heating, ventilation, and air conditioning (HVAC) system, which has an estimate useful life of only 10 years. Compute the first year of depreciation expense using straight-line component depreciation.

Solve E9-8, page 464.

HVAC Depr. EXP = $\frac{40,000 - 0}{10}$ = 4,000

Ware house Depr Exp = $\frac{(280,000 - 40,000) - 0}{20}$

= 12,000

* Component Depr = 4,000 + 12,000

= 16,000

طيب بدي اسجل القيد ، فشو اعمل ؟؟

بسجل قيد اهتلاك عادي

- Dr Depr Exp 16,000

Cr Acc. Depr 16,000

وطبعا بستخدم قيمة ال Component Depr

زي ما لاحظنا انو استخدمنا ال SLM

عشان نحسب ال Component Depr

* Revising estimates

هاد الو منوكو بيحكي عن انك متوقع انه الاصل رح
يعيش معك لمدة 50 سنة على سبيل المثال وبعد
فترة بتكتشف انه بعيش أقل أو أكثر من هيك
و نفس الشي للـ S.V ممكن يكون 20,000
وبعد فترة بتكتشف أنه قيمته أقل أو أكثر من هيك

طيب كيف بدي احسبه؟

$$\text{Depr. Exp} = \frac{B.V - \text{New } S.V}{\text{Remaining New } u.L}$$

Question 4 (revising estimates –useful life AND salvage value)

A building was acquired on January 1st, 2010 of J.D 800,000, had accumulated depreciation on January 1st, 2016 of J.D 114,000, the company revised its useful life that was 40 years to be 50 years, and revised the salvage value that was J.D 40,000 to be J.D 37,000.

(a) Compute the revised annual depreciation on the building in 2016
(b) Prepare the entry to record the depreciation.
(c) Go back to E9-9 page 464 and solve the second plant asset which is the "warehouse". *(homework)*

a) $\text{Depr. Exp} = \frac{(800,000 - 114,000) - 37,000}{50 - 6}$

$= 14,750$

طيب ليش طرحنا من الـ 50 سنة 6 سنين؟

لأنه امتلكنا الاصل لمدة 6 سنين

b) Dr Depr. EXP 14,750
Cr Acc. Depr 14,750

* Revaluation of plants assets
في نهاية كل فترة مالية لازم يتم اعادة تقييم
الأصل ومن هون اجت فكرة هاد الموضوع

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Question 5 (Revaluation of Plant assets)
Barton Enterprises purchased plant assets on January 1, 2016, at a cost of $350,000. Barton uses the straight-line depreciation method, a 5-year estimated useful life, and no residual value. At the end of 2016, independent appraisers determined that the assets have a fair value of $320,000.

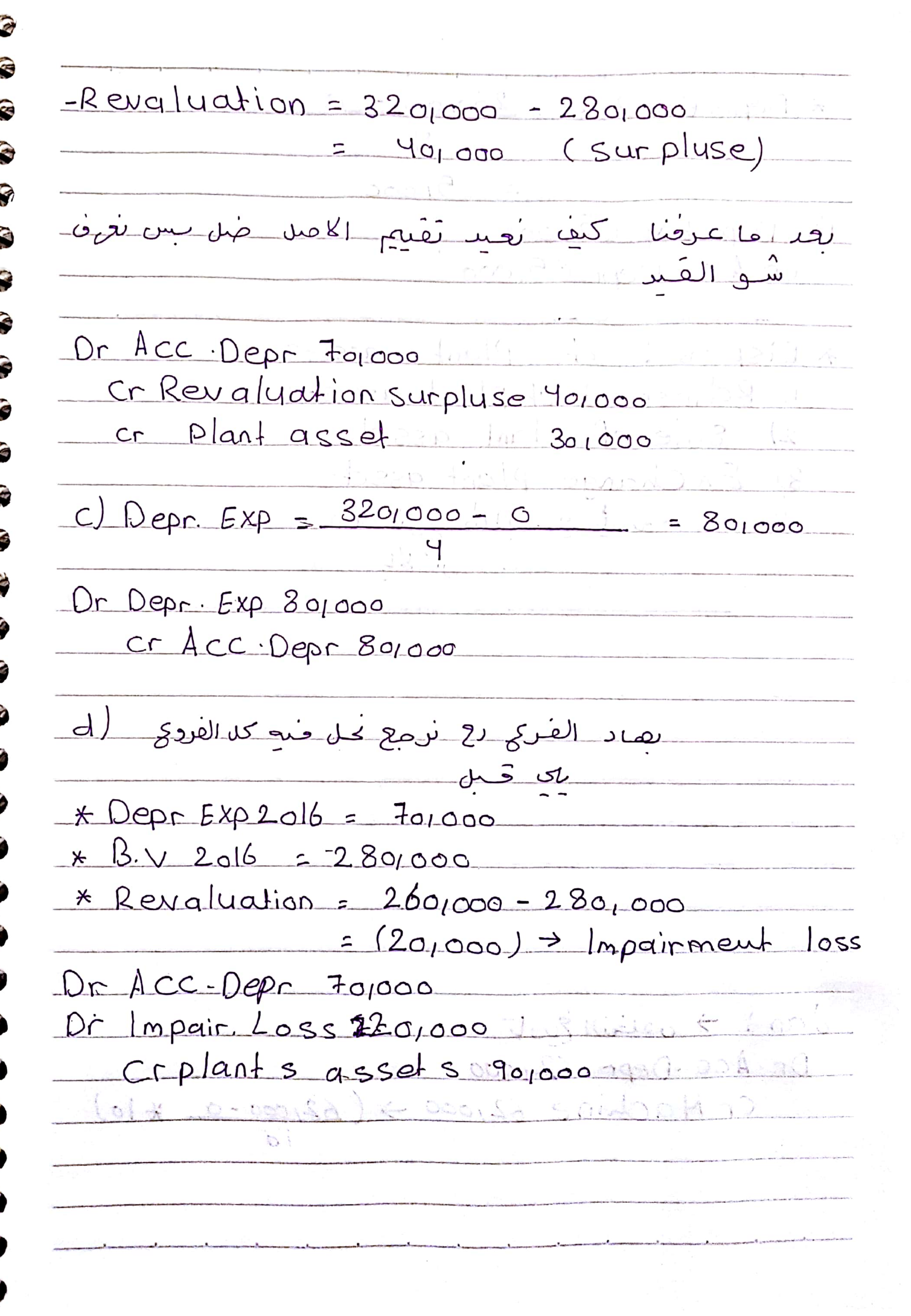
(a) Prepare the journal entry to record 2016 depreciation using the straight-line method.
(b) Prepare the journal entry to record the revaluation of plant assets.
(c) Prepare the journal entry to record 2017 depreciation, assuming no additional revaluation.
(d) Assume that the fair value of the assets were $260,000, repeat parts a-c.
(e) *Solve BE9-9 page 460.*

a) Depr. Exp = $\frac{350,000 - 0}{5}$

= 70,000

B.V 2016 = 350,000 - 70,000 = 280,000
Dr Depr. EXP 70,000
Cr Acc. Depr 70,000

b)
- Revaluation = F.V - B.V
Surpluse ← اذا كان الناتج موجب *
Impairment Loss ← اذا كان الناتج سالب *



-Revaluation = 320,000 - 280,000
= 40,000 (surpluse)

بعد ما عرفنا كيف نعيد تقييم الاصل ضل بس نعرف
شو القيد

Dr Acc. Depr 70,000
Cr Revaluation surpluse 40,000
Cr Plant asset 30,000

c) Depr. Exp $= \frac{320{,}000 - 0}{4} = 80{,}000$

Dr Depr. Exp 80,000
Cr Acc. Depr 80,000

d) بهاد الفرع رح نرجع نحل فيه كل الفروع
يلي قبل

* Depr Exp 2016 = 70,000
* B.V 2016 = 280,000
* Revaluation = 260,000 - 280,000
= (20,000) → Impairment loss

Dr Acc-Depr 70,000
Dr Impair. Loss 20,000
Cr plants assets 90,000

* Depr. Exp 2017 = $\frac{260,000 - 0}{4}$

= 65,000

Dr Depr Exp 65,000
  Cr Acc. Depr 65,000

---

* Disposal of Plant assets

1) Retirement of plant assets
2) Sale of plant assets
3) Exchange Plant assets
   ↳ هاد النوع طلاب رح يأخذوه بالانتر 2

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(a)
(b)
(c)
(d)
(e)

Question 6 (disposal of plant assets --retiring AND sale)

Journalize the following transactions in 2016

Jan. 1 retired a piece of machinery that was purchased on January 1, 2006. The machine cost J.D 62,000 on that date. It had a useful life 10 years with no salvage value.

June 30 sold a computer that was purchased on January 1, 2013. That computer cost J.D 40,000 it had a useful life of 5 years with no salvage value. The computer was sold for J.D 14,000.

Dec.31 Discarded a delivery truck that was purchased at $39,000 on January 1,2012 based on a 6-year useful life with a J.D 3,000 salvage value.

Jan 1 → تاريخ التخلص

Dr Acc. Depr 62,000
  Cr Machine 62,000 → $\left(\frac{62,000 - 0}{10} \times 10\right)$

June 31, 2016

G(L) on disposal = Cash Received - B.V

= 14,000 - (40,000 - 28,000)

= 2,000 (Gain)

Dr Cash 14,000

Dr Acc. Depr 28,000 → ($\frac{40,000 - 0}{5}$ * (3.5))

Cr Equipement 40,000

Cr Gain on sale 2,000

(مدة الاهتلاك)

Dec 31, 2016

Dr Acc. Depr 30,000 → ($\frac{38000 - 3000}{6}$ * 5)

Dr Loss on disp. 9,000

Cr Truck 39,000

ملاحظات مهمة

١) لازم ننتبه للتواريخ

٢) في حال ما كان محدد نوع احتساب الاهتلاك
بنحل على Straight line
Method

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(a)
(b)
(c)
(d)
(e)

Questi

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Expenditure

Revenue Exp	Capital Exp
→ To maintain operating Efficiency	→ To increase operating efficiency
→ should be expensed	→ Should be capitalized
→ ordinary maintenance	→ Ex :- purchase of PPE

* Natural Resources (NR)
↳ Deplation → units of Activities
(الاستنزاف)

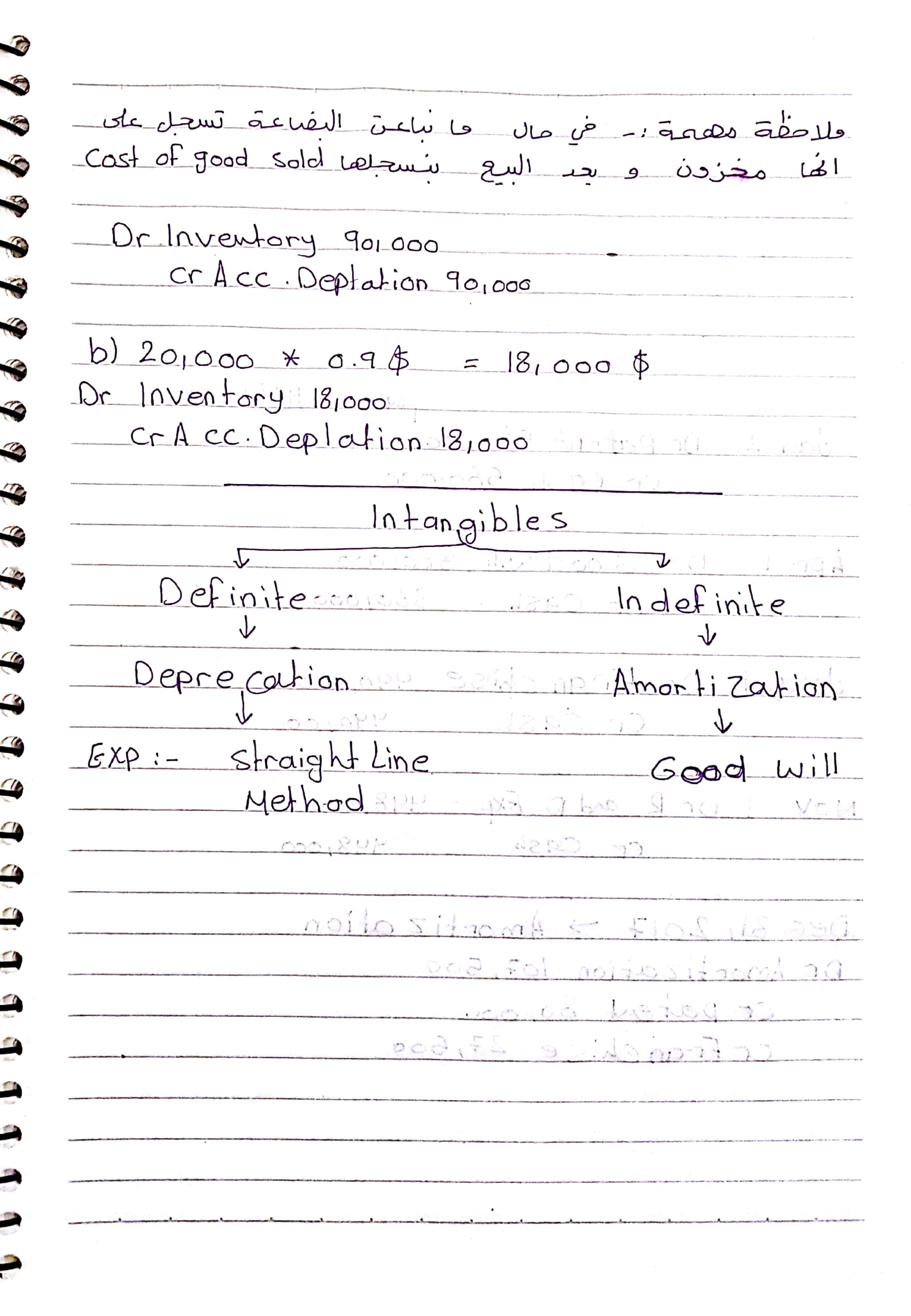
Question 7 (Natural Resources)

On July 1, 2011, Tamer Company invested $720,000 in a mine estimated to have 800,000 tons of coal. During the last 6 months of 2011, 100,000 tons of coal were mined.

(a) Calculate the depletion cost for the amount mined.
(b) Assume that the 100,000 tons of coal were mined, but only 80,000 units were sold. How are the costs applicable to the 20,000 unsold units reported?

a) Deplation Cost Per ton $= \frac{720,000}{800,000} * 100,000$

$= 90,000$ \$



ملاحظة مهمة :- في حال ما نباعت البضاعة تسجل على
انها مخزون و بعد البيع بنسجلها Cost of good sold

Dr Inventory 901,000
    Cr Acc. Deplation 90,000

b) 20,000 * 0.9 $ = 18,000 $

Dr Inventory 18,000
    Cr Acc. Deplation 18,000

Intangibles

Definite	Indefinite
↓	↓
Depreciation	Amortization
↓	↓
EXP :- Straight Line Method	Good will

Instructions

Prepare necessary adjusting entries at December 31 to record amortization required by the events above.

E9-16 Nelson Company, organized in 2017, has the following transactions related to intangible assets.

1/2/17	Purchased patent (7-year life)	$560,000
4/1/17	Goodwill purchased (indefinite life)	360,000
7/1/17	8-year franchise; expiration date 7/1/2025	440,000
11/1/17	Research and development costs incurred prior to technological feasibility	448,000

هاد المثال مهم

Jan 2 Dr Patent 560,000
Cr cash 560,000

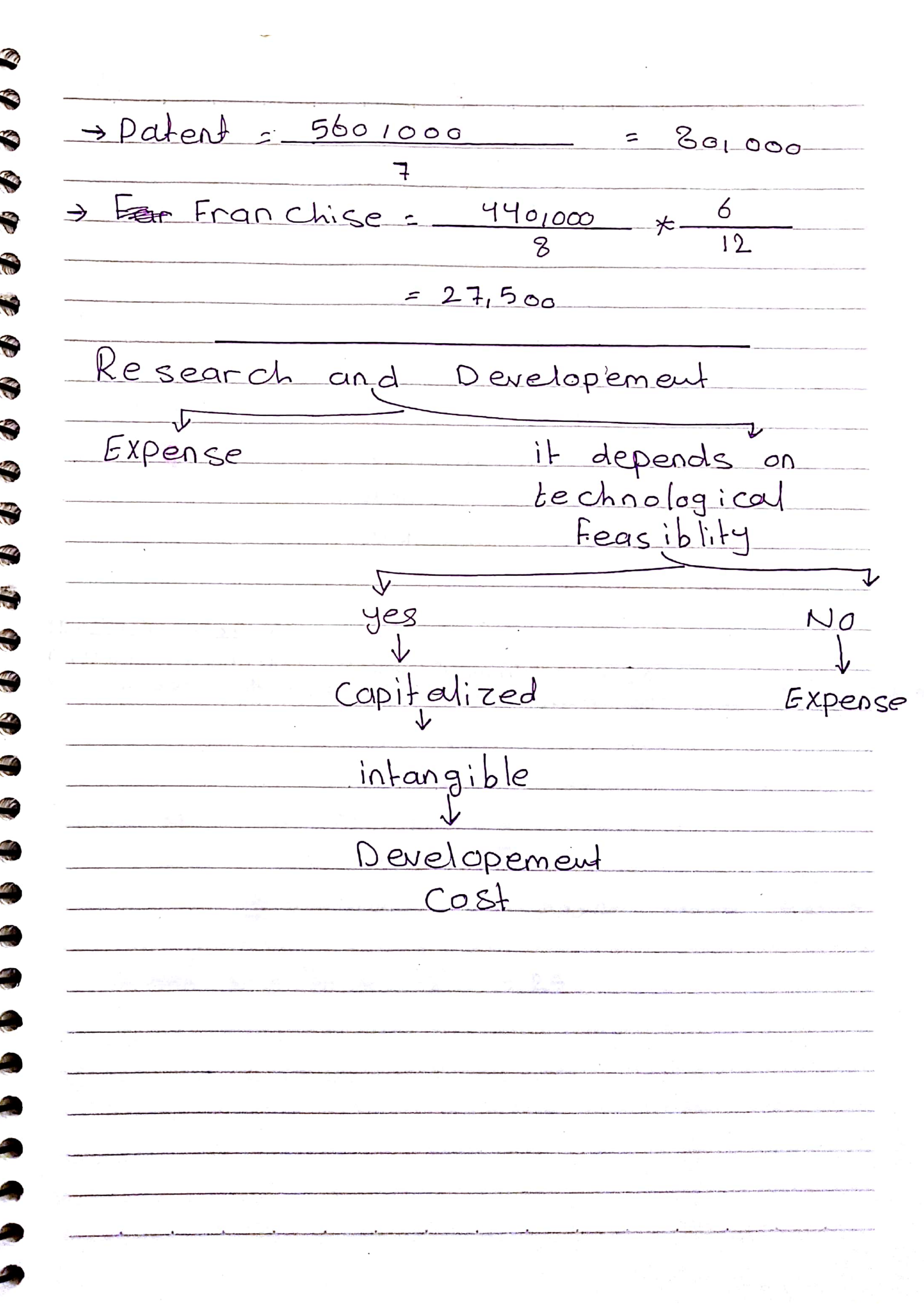
Apr 1 Dr Goodwill 360,000
Cr cash 360,000

July 1 Dr Franchise 440,000
Cr cash 440,000

Nov 1 Dr R and D Exp 448,000
Cr cash 448,000

Dec 31, 2017 → Amortization
Dr Amortization 107,500
Cr patent 80,000
Cr Franchise 27,500

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→ Patent = $\frac{5601000}{7}$ = 801,000

→ ~~Fer~~ Franchise = $\frac{440,000}{8} * \frac{6}{12}$

= 27,500

Research and Developement

- Expense
- it depends on technological feasiblity
  - yes → Capitalized → intangible → Developement Cost
  - No → Expense

Accounting 2 Chapter 10

Liabilities

Current (Less than year) | Non-Current (More than year)

* Current Liability
1) Accounts payable (AP)
2) Notes Payable (NP)
3) unearned Revenue
4) Sales tax payable
5) Current Maturities of Non-C.L

Question One (Notes Payable)

On December 1, 2016 Destin Corporation borrowed $5,000 on a 90-day, 6% note. Prepare the en record the issuance of the note, the accrual of interest at year end, and the payment of the note.

Dec 1 Dr cash 5,000
Cr NP 5,000

Dec 31 Dr Int. EXP 25
Cr Int. pay 25

طريقة حساب مصروف الفوائد نفسها يلي ب Ch8

$5,000 * 6\% * \frac{1}{12} = 25$

Dec 2 - 31 30 days
Jan 1 - 31 31 days
Feb 1 - 28 28 days
Mar 1 1 · day
↳ Maturities date

Mar 1 Dr NP 5,000
Dr Int. Exp 50 → $(5,000 * 6\% * \frac{2}{12})$
Dr Int. Pay 25
Cr cash 5,075

Question Two (Unearned Revenue)

During December 2015, Fashion Vixen Publishing sold 2,500 12-month annual magazine subscriptions at a rate of $30 each. The first issues were mailed in February 2016. Prepare the entries on Fashion Vixen's books to record the sale of the subscriptions and the mailing of the first issues.

* Sales of sub
2,500 * 30 = 75,000
Dr cash 75,000
Cr un. sub 75,000

→ Mailing the first issue
$75,000 * \frac{1}{12} = 6,250$
Dr un. Sub. Rev 6,250
Cr sub. Rev 6,250

* Balance of un. Rev = 75,000 - 6,250
= 68,750

Question Three (Sales Taxes Payable)

A) The register of family retail shop showed a total of sales JD 16,000 for March. Assume that the sales tax is 10%. Prepare the entry to record the sales and sales tax transaction.

B) The family retail shop does not segregate sales and sales taxes at the time of sale. The register total for March 16 is J.D. 13,440. All sales are subject to a 5 % sales tax. Compute sales taxes payable, and make the entry to record sales taxes payable and sales.

a) Sales taxes = 16,000 * 0.1 = 1,600

Dr cash 17,600 → (16,000 + 1,600)

Cr sales 16,000

Cr sales tax 1,600

b) بهاد الفرع مافصل الضريبة عن المبيعات

طيب كيف بدي اعرف اكم وصلت المبيعات ؟

$$Sales = \frac{Cash}{1 + tax\ Rate}$$

لـ بنستخدم هاد القانون

$$Sales = \frac{13,440}{1 + 5\%} = 12,800$$

Dr Cash 13,440

Cr sales 12,800

Cr sales tax 640 → 13,440 − 12,800 = 640

→ 12,800 * 0.05

Question four (Comparison between two financing alternatives)

Cement Corporation is considering two alternatives for the financing one of its product lines. There two alternatives are:

1. Issue 200,000 ordinary shares at $25
2. Issue 10%, 10-year bonds at par for $5,000,000.

It is estimated that the company will earn $800,000 before interest and taxes as a result of that year. The company has an estimated tax rate of 30% and has 90,000 ordinary shares outstanding prior to the new financing.

Required: determine the effect on net income and earnings per share for these two methods of financing.

	Issu share	Issue Bonds
IBIT	800,000	800,000
Int. Exp	Ø	500,000
IBT	800,000	300,000
Income Tax. Exp	(240,000) 800,000 * 30%	(90,000) 300,000 * 30%
N.I	560,000	270,000
EPS	1.93 / Share	2.31 / Share

EPS = Net Income / # Shares

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IBIT → Income Before Interest and Taxes

IBT → Income Before Taxes

EPS → Earnings per share

→ Bonds

- Types of Bonds

* Secured and non secured

→ Mortgage bonds → Real state

→ Sinking fund bond

* Covertible

→ option for bonds holder

← سندات قابلة للتحويل ~~لأسهم~~

* Callable

→ option for corporation

← سندات غير قابلة للتحويل

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Contractual Int. Rate	Market Int. Rate	Issuance
10%	10%	at face (at 100)
10%	12%	at discount (Less 100)
10%	8%	at premium (More 100)

Question Five (Issuance bonds)

1. XYZ Corporation issues $1 million, 10-year, 12% bonds at 100. Interest is payable on July 1 and January 1.

2. XYZ Corporation issues $1 million, 10-year, 12% bonds at 98. (3/4) Interest is payable on July 1 and January 1.
3. XYZ Corporation issues $1 million, 10-year, 12% bonds at 101. (1/2) Interest is payable on July 1 and January 1.

Required: 1. prepare the issuance entry for each of the cases above.
✱ Assume in part (2) the issuance was at $98^{3/4}$ and in part (3) the issuance w as at $102^{1/4}$, prepare the issuance entries.
2. Calculate the total cost of borrowing for these bonds.

1. 1) Dr Cash 1000,000
Cr B.P 1000,000

2) 1000,000 * 98.75% = 987,500
Dr Cash 987,500
Cr B.P 987,500

3) 1,000,000 * 101.5% = 1,015,000

2. Total Borrowing cost
= (1,000,000 * 12% * 6/12) * 20 + 12,500 ← Discount amount
= 1,212,500

Discount amount = |F.V - Cash Received|
= |1000,000 - 987,500|

• Total Borrowing Cost

$= (1{,}000{,}000 * 12\% * \frac{6}{12}) * 20 - 15{,}000$

$= 1{,}200{,}000 - 15{,}000$

$= 1{,}185{,}000$

---

* Redemption of Bonds Payable

- at maturity
  ↓
  B.P = F.V
  ↓
  Dr B.P
  Cr Cash
  ↓
  Assuming all Interest. Exp
- Before maturity
  ↓
  Callable Bonds

Question Six (Redemption of bonds payable)

- Sami Corporation retired $130,000 face value, 12% bonds on June 30, 2016, at 102. The carrying value of the bonds at the redemption date was $117,500. The bonds pay semiannual interest, and the interest payment due on June 30, 2016, has been made and recorded.
- Diaz Corporation retired $150,000 face value, 12.5% bonds on June 30, 2016, at 98. The carrying value of the bonds at the redemption date was $151,000. The bonds pay semiannual interest, and the interest payment due on June 30, 2016, has been made and recorded.

Required: for each case, prepare the appropriate journal entry for the redemption of the bonds.

• Cash paid $= 130{,}000 * 1.02$

$= 132{,}600$

Dr B.P 117,500
Dr Loss on Redemp 15,100
Cr Cash 132,600

G(L) on Redempition of B.P
↓
Financal Postion statement
↓
other Revenue and Expense

- Cash Paid = 150,000 * 0.98
= 147,000

Dr B.P 151,000
Cr cash 147,000
Cr Gain on Redem 4,000

* Long Term NP

Question Seven (long-term Notes Payable)

Rami Company issued a JD1,500,000, 10%, 10-year mortgage note payable to finance the construction of a building at December 31, 2016. The terms provide for semiannual installment payments of JD120,365.

Instructions

Prepare the entry to record:

(a) the mortgage loan on December 31, 2016.

(b) the first,second, third and fourth installment payments.

Date	C.V of N.P (Beg)	Int. EXP	Red of MNP	C.V of MNP (End)
30/6/2017	1,500,000	75,000	45,365	1,454,635
31/12/2017	1,454,635	72,732	47,633	1,407,002
30/6/2018	1,407,002	70,350	50,015	1,356,987
31/12/2018	1,356,987	67,849	52,516	1,304,471

* Int. Exp = C.V * Interest Rate * $\frac{6}{12}$

* Redempition of MNP = 120,365 - Int. Exp

* C.V of MNP (End) = C.v of MNP (Beg) - Red of MNP

* MNP → Mortgage Notes payable

a) Dr Cash 1,500,000
Cr MNP 1,500,000

* 30/6/2017
Dr MNP 45,365
Dr Int. Exp 75,000
Cr cash 120,365

* هاد القيد ثابت لكل الدفعات بس بتتغير قيمة كل من الـ Int. Exp و الـ MNP بين الفترات

---

* قوانين مهمة

1) Debt to assets ratio = $\frac{\text{Total. Liab}}{\text{Total. Asset}}$ ☐ %

لـ تبين نسبة تمويل الأصول من الالتزامات

2) Times interest earned = $\frac{\text{IBIT}}{\text{Int. Exp}}$ ☐ Times

لـ إذا زادة عدد المرات بشكل عام بكون أفضل

Accounting 2 Chapter 11

* Corporations :-

1) Separate legal entity
2) Limited liability of share holder
3) Transfarable ownership
4) Ability to acquire capital
5) Continous (unlimited) life
6) Corparate Management

---

* Issuance shares :-

1) Directly
2) Indirectly throught investment banks
↳ (here the investment banks may agree on " under writting" the share)

* under writting :- That means that investment banks purchase the shares at stiplated price

Equity
↓ Retairned Earning
↓ share capital

Question one (issuance of shares (ordinary and preference)

Journalize the following transactions

1. ABC Corporation issued 2000, $1 par value **ordinary** shares, at $5.
2. ABC Corporation issued 2000, $1 stated value **ordinary** shares, at $3.
3. ABC Corporation issued 2000, no par value **ordinary** shares, at $5.
4. ABC Corporation issued 4000, $1 par value **ordinary** shares, in exchange of attorneys' services that was billed at $50,000.
5. ABC Corporation issued 2000, $10 par value **preference** shares, at $45

1) Dr Cash 10,000 → (2000 * 5)
Cr SC-O 2000 → (2,000 * 1)
Cr SP-O 8000 → (2,000 * (5-1))

2) Dr Cash 6,000
Cr SC-O 2,000
Cr SP-O 4,000

3) Dr Cash 10,000
Cr SC-O 10,000

4) Dr Org. Exp 50,000
Cr SC-O 4,000
Cr SP-O 46,000

5) Dr Cash 90,000
Cr SC-P 20,000
Cr SP-P 70,000

* ABC Company issued 4,000, 1$ par value in exchange of land that was advertised at 73,000, knowing that the market value of the share was 20$

→ Journalize this transaction.

4,000 * 20$ = 80,000

Dr Land 80,000
  Cr SC-O 4,000
  Cr SP-O 76,000

- SC-O → Share Capital ordinary
- SP-O → Share Premium Ordinary
- SC-P → share Capital Preference
- SP-P → Share Premium Preference

* Preference share, have preference in :- ① Dividends ② Liquidation however, P.S have no voting right

---

* Treasury Shares
→ Reacquisition of shares issued previously

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Question two (treasury shares)

1. ABC Corporation reacquired 500 of its ordinary shares, at $7. share)
2. ABC Corporation sold 100 **treasury** shares at $10.
3. ABC Corporation sold 200 treasury shares at $6.
4. ABC Corporation sold 100 **treasury** shares at $5.
5. ABC Corporation sold 100 **treasury** shares at $4.

1) Dr T.S 3,500 → (500 * 7)
Cr cash 3,500
→ at Cost Method
T.S → Contra Equity

* Sales of T.S
  - above the cost
  - Below the cost
    - with sufficient
    - with insufficient

2) above the cost
Dr cash 1,000 → (100 * 10)
Cr T.S 700 → (7$ * 100)
Cr T.P 300

T.P	
200	300
	100

*Treasury Premium → in share capital
↳ Normal Balance

3) Dr Cash 1,200 → (6 * 200)
Dr T.P 200
Cr T.S 1,400 → (7 * 200)
→ sufficient ~~Share~~ Treasury

4) Dr Cash 500 → (100 * 5)
Dr T.P 100
Dr R/E 100
Cr T.S 700 → (100 * 7)
→ Insufficient Treasury

*في حال خلص عندي ال T.P بنسد مباشرة
من الارباح المحتجز

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Question three

1. (a) In 2016, Strength Corporation declared JD70,000 for cash dividends. Assume the corporation has 10,000, JD10 par value 8% **cumulative** preference shares, and there are dividends in arrears for 2014 and 2015. It also has 500,000, JD1 par value ordinary shares outstanding. Allocate dividends between preference and ordinary shares.

   (b) In 2016, Strength Corporation declared JD20,000 for cash dividends. Assume the corporation has 10,000, JD10 par value 8% **cumulative** preference shares, and there are dividends in arrears for 2014 and 2015. It also has 500,000, JD1 par value ordinary shares outstanding. Allocate dividends between preference and ordinary shares.

2. (a) In 2016, Strength Corporation declared JD70,000 for cash dividends. Assume the corporation has 10,000, JD10 par value 8% **non-cumulative** preference shares, and the company did not pay dividends for 2014 and 2015. It also has 500,000, JD1 par value ordinary shares outstanding. Allocate dividends between preference and ordinary shares.

   (b) In 2016, Strength Corporation declared JD5,000 for cash dividends. Assume the corporation has 10,000, JD10 par value 8% **non-cumulative** preference shares, and the company did not pay dividends for 2014 and 2015. It also has 500,000, JD1 par value ordinary shares outstanding. Allocate dividends between preference and ordinary shares.

1) a)

Annual Preference Dividends

10,000 * (10 * 8%) = 8,000

Total Cumulative = 8,000 * 3yrs

= 24,000

* طيب ليش ضربنا بـ ٣ سنوات ؟

لأنها عدد السنوات يلي رح ادفع عنها الـ Dividend

(مجمعة للارباح)

Ordinary Dividends = 70,000 − 24,000

= 46,000

* أصحاب الاسهم الممتازة إلهم الأولوية بتوزيعات على أصحاب الاسهم العادية

b) 20,000 will go for P.S, and the remaining 41,000 $ will as "Dividends in arrears"

* Ordinary ~~Shares~~ Dividends = ∅ $

* لا يتم توزيع الارباح لأصحاب الاسهم العادية حتى يتم الانتهاء من توزيع الأرباح لأصحاب الأسهم ~~الع~~ الممتازة

2) a. Preference Div = 10,000 * 10 $ * 8%
= 8,000

Ordinary Div = 70,000 - 8,000
= 62,000

* بما أنها غير مجمعة للأرباح بس بحسب أرباح ٢٠١٦ لا غير

b) Preference Div = 10,000 * 10 $ * 8%
= 8,000

P.S will have the 5,000 as dividend and nothing more

* There are no dividends in arrears.

---

* Cash Dividends → Current Liab

1) Adequate amount of cash
2) " amount of R/E
3) Declaration of dividend

] شروط Cash Dividend الـ

- Declaration Date
  - → Dr Cash Div → affects RE
  - Cr Div. Pay
- Date of Recored
  - → No Entry
- Payment Date
  - → Dr Div. Pay
  - Cr Cash

* هدول أهم التواريخ

Question four

Success Corporation has 30,000 ordinary shares. And the following transactions occurred:

Jan. 15	declared JD2 cash dividends per share.
Jan. 24	was a record date
Jan. 28	paid the dividends that were declared previously.

Jan 15 Dr Cash Div 60,000 → (30,000 * 2)
Cr Div. Pay 60,000

Jan 24 No Entry

Jan 28 Dr Div. Pay 60,000
Cr Cash 60,000

* Share Dividends

1) Small Share Dividends
   - Less than 20% - 25%
   - F.V Method
2) Large share Dividends
   - More than 20% - 25%
   - Par value Method

* النوع الأول يلي بهمنا ،

Question five

Salam Corporation has 50,000 ordinary shares of JD 1 par value, and retained earnings JD 400,000. The following transactions occurred in March.

March 3rd	declared 10% share dividends. The current fair value of its shares is JD13.
March 18th	issued the share dividends.

Required a. Prepare the entries.
b. Show the effect before and after the share dividends on equity section.

a) Mar 3 — New shares ← (50,000 * 0.1) * 13

Dr Share Div 65,000 → (50,000 * 0.1 * 13)
  Cr O.S.D.D 5,000
  Cr SP-O 60,000

Mar 18 Dr O.S.D.D 5,000
  Cr O.S 5,000

* يتم توزيع الأسهم الجديدة

O.S.D.D → Ordinary share Dividends Distrbutable

* التواريخ بال Share Div نفسها بال Cash Div

b)

Equity	Before	After
S.C		
O.S	50,000	55,000
Premium-O	0	60,000
O.S.D.D	0	0 ← تم اغلاق لحساب
R/E	400,000	335,000
Total Equity	450,000	450,000

Cash Div   E↓   A↓

share Div $\bar{E}$ $\bar{I}$ $\bar{A}$
↳ composition of Equity will Chage

---

share split   تخزئة الأسهم
[2 for 1] → تجزئة الأسهم
New ↲   ↳ old

[1 for 2] → دمج الاسهم

* يتم توزيع الأسهم الجديدة

O.S.D.D → Ordinary share Dividends Distrbutable

* التواريخ بال Share Div نفسها بال Cash Div

b)

Equity	Before	After
S.C		
O.S	50,000	55,000
Premium-O	0	60,000
O.S.D.D	0	تم اغلاق لحساب ← 0
R/E	400,000	335,000
Total Equity	450,000	450,000

Cash Div E↓ A↓

share Div $\bar{E}$ $\bar{I}$ $\bar{A}$

↳ composition of Equity will Chage

---

share split تجزئة الأسهم

[2 for 1] → تجزئة الأسهم

New ↲ ↳ old

[1 for 2] → دمج الاسهم

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Question six

Sama Corporation has 40,000 ordinary shares, of $10 par value. On May 25th the corporation splits the shares on basis of 2-for-1.

(a) Show the effect of the split on equity section.

(b) Is there any entry should be recorded?

a

	Before share splite	AFter share splite
# share	40,000	80,000
Par value	10 $	5 $
Total O.S	400,000	400,000

b) No Entry

Question seven

- A corporation discovered in 2016 that it understated depreciation expense in 2015 by $45,000.
- A corporation discovered in 2016 that it understated service revenue in 2015 by $20,000.

Required: Prepare the necessary correcting entries for these prior period adjustments.

- Dr RE 45,000
  Cr Acc. Depr 45,000

- Dr cash/AR 20,000
  cr R/E 20,000

* R/E Statement

R/E Beg Bal (as reported)
Preior Period Adjustments] إن وجد أي تعديل
R/E Beg Bal (as adjusted)]
Add: Net Income
Less: Cash Div] → بنستخدم المبلغ في تاريخ الاعلان
Share Div]
R/E End Bal

* في حال ما كان في هناك أي خطأ ما في داعي لخطوة التعديل

Question eight

On January 1, 2016 Power Corporation had retained earnings of $370,000. During the year, the corporatio had the following selected transactions

1. Declared cash dividends of $15,000.
2. Earned net income of $ 95,000.
3. Declared share dividends of $30,000.
4. Corrected overstatement of 2015 sales of $21,000.

Required: Prepare the retained earnings statements.

RE Beg Bal (as reported)	370,000
Preior Period Adjustments	(21,000)
RE Beg Bal (as adjusted)	349,000
Add: Net income	95,000
Less: Cash Div	(15,000)
share Div	(30,000)
RE End Bal	399,000

* RE Restrictions :-
1) Legal
2) Contractual
3) Voluntary

---

* قوانين مهمة :

1) Return on ordinary shareholders

$$= \frac{\text{Net Income} - \text{Preference Div}}{\text{Average O.S Equity}}$$

~~* Average O.S Equity~~

2) Income Available for ordinary share holder = Net income - preference Div

3) Average O.S Equity = $\frac{\text{Beg Bal} + \text{End Bal}}{2}$

4) End. Bal = Total Equity - Preference share - Preference premium

Accounting 2 Chapter 12

Financial investment

Debt Invest → Cash Method

Share Invest → Cost Method

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Question One (Debt Investments)

- On January 2, 2015 Hussam Company purchased 50, 10%, $1,000 Ayman Company bonds fo $50,000 cash, plus brokerage fees of $1,000. Interest is payable semiannually on July 1 and Januar 1.
- On July 1, the company received a semiannual interest payment on the Ayman Company bonds.
- On Dec 31, the company recorded the interest accrued
- On January 1, the company received the interest that was accrued.
- On October 13 the company sold half of the bonds and received net proceeds of $30,000.

Instructions: Journalize the necessary entries

Jan 2 Dr Debt. Invest 51,000
Cr Cash 51,000
↳ Bond Cost + Broker Fees

July 1 Dr Cash 2,500
Cr Int. Rev 2,500
↳ (50,000 * 10% * 6/12)
- يتم استخدام ال F.V

Dec 31 Dr Int. Rec 2,500
Cr Int. Rev 2,500

api

Jan 1 Dr Cash 2,500
cr Int. Rec 2,500

* Gain (Loss) = Cash Recived - Cost of D.I Sold
= 30,000 - (51,000 * 0.5)
= 4,500

Oct. 13 Dr Cash 30,000
Cr Debt. Invest 25,500 → (51,000 * 50%)
Cr Gain on Sold D.I 4,500

---

* Share Investment
1) Owner ship Less 20% → In Significant
→ Cost Method

2) Ownership 20% - 50% → Significant
→ Equity Method

3) Owner ship More 50% → Controlling
→ Consolidated

Question Two (share investments less than 20%)

- On April 25, Basil Company buys 4,200 shares of Yousef ordinary shares (ownership percentage is 15%) for $70,000, plus brokerage fees of $2,000.
- On June 25 the company received $2 for each shares as cash dividends.
- On October 31, Basil sells 2100 shares of Yousef shares for $45,500, less brokerage fees of $500.

Instructions: Prepare journal the necessary entries.

Apr 25 Dr Share Invest 72,000
Cr Cash 72,000

June 25 Dr Cash 8,400 → (4,200 * 2)
Cr Div. Rev 8,400
* Div. Rev → Income statement → Other income and Expense

Oct 30 Dr Cash 45,000
Cr *S.I 36,000
Cr G. on 9,000
Sold S.I

G(L) = Net Proceeds - Cost of S.I Sold
45,000 - 36,000 = 9,000

* $\frac{2,100}{4,200}$ * 72,000 = 36,000

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cap

Question Three (Share Investments 20 -50%)

- On January 1, 2015 Sami Corporation purchased a 40% equity in Laila Company for $540,000.
- At December 31, 2015 Laila Compsny reported net income of $200,000.
- At January 31, 2016 Laila declared and paid a $70,000 cash dividend

Instructions:

1. Prepare the necessary journal entries for Sami Corporation.
2. What is the ending balance of share investment account?

1) Jan 1 Dr Share Inv. 540,000
Cr Cash 540,000

Dec 31 Dr Share Investment 80,000
Cr Rev from S.I in Lalia 80,000
→ 200,000 * 40% = 80,000

Jan 31 Dr Cash 28,000
Cr Share. Inves 28,000
→ 70,000 * 40% = 28,000

* ممكن انو تكون ال 70,000 كاملة ل Sami
في حال تم ذكر هاد الشي بنص السؤال

2) 540,000 + 80,000 - 28,000 = 592,000

Share Inves	
540,000	28,000
80,000	

592,000

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* ممكن انه تنسأل عن قيمة ال Cash Div أو أي قيمة من القيم يلي طلعناهم بسؤال

* على فرض انه سأل عن قيمة ال Cash Div
→ 540,000 + 801,000 − X = 592,000
X = 281,000

* More than 50%

A	B
Invester	Investee
→ Parent Company	Subsidiary / affliated Company

* Valuation and Reporting Investment

1) D.I
- → Trading security → STI → Fair value
  - → unrealized G(L) → Income statement
- → Holding for Collection → LTI
  - → Amortized cost Method

2) S.I
- → Trading security → D.I نفس يلي ب
- → Non-Trading security → F.V → LTI
  - → unrealized G(L) → Financial Position (Equity section)

Question Four (Valuation and reporting)

Fatima Company has the following data at December 31, 2016 for its securities:

During
any also

Securities	Cost	Fair Value
Trading Securities	$30,000	$38,000
Non-trading secturities	51,000	40,000

Instructions:

1. Prepare the necessary adjusting entries for those two portfolios.
2. show how these portfolios will be presented in Finantional Position Statement (assume that non-trading portfoio securities is not intended to be converted into cash within one year).
3. Assume during 2017 the company purchased more shares at a cost of $80,000, and they are classified as nontrading securitties. Assume at year-end, the fair value of these securities= $84,000. Prepare the the revaiuation entry for non-trafing portfolio.

1) - Dr F.v adj - Trading 8,000
  Cr Unrealized Gain - Income 8,000

* F.v adj = Fair value - Cost
  38,000 - 30,000 = 8,000 G

Unrealized Gain - Income
↓
Income statement
↓
Assets section
↓
Current assets

cap

Scanned by CamScanner

- Dr unrealized Loss - Equity 11,000
  Cr F. V adj - Non trade 11,000

F.V adj = 40,000 - 51,000
= (11,000)

* عند إعداد القوائم المالية يتم استخدام F.V
والـ Cost

* short term investment
1) Redily Market able
2) Intent to Convert into Cash with one year or operation cycle . . . which ever Longer

Accounting 2 Chapter 13

* Cash flow statement
1) C.F From operating activities
2) " " Investing "
3) " " Financing "
Net increase (decrease) in cash
Beg. Balance of cash
Ending Balance of cash

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2 Formats for prepare C.F statement
1) Direct Method 2) Indirect Method

* تختلف الطريقتين في الجزء الاول من القائمة
* تختلف الطريقتين في كيفية عرض البيانات ولكن يعطيان نفس النتيجة

* يلي يهمنا بالمحاسبة ٢ طريقة ال Direct Method

1) C.F From operating Activities

Net Income

① Add :- Non - Cash Expense
- → Depr
- → Deplating
- → Amortaizition

② Add : Loss on Sold of PPE and LTI
oR Less : Gain " " " " " "

③ Δ in Current Assets (Except Cash)
- → Increase → −
- → Decrease → +

④ Δ in Current Liabilities
- → Increase → +
- → Decrease → −

Net cash Provided (used) By O.A
- → اذا كان ال out Flow بالسالب
- → لو اذا كن ال Out Folw بالموجب

Question One

Power Company had net income of $204,000 in 2016. Depreciation expense for the year is $45,000. During the year, Accounts Receivable increased $9,000 and Prepaid Expenses decreased $1,000. The company also sold equipment at a loss of $2,000.

Instructions

Calculate net cash flows from operating activities using the indirect method.

Net income	204,000
+ Non cash Exp	45,000
+ Loss on Equip. Sold	2,000
+ ~~AE~~ Prepaid Exp	1,000
- Accout Receivables	(9,000)
Net Cash Provided by O.A	243,000

2) C.F From Investing Ativities

Δ in PPE and Long Term Investment

→ Increase → in cash → -

→ Non Cash → Disclosaur

→ Decrase → in cash → + (Net Cash proceed)

→ Non Cash → Disclosaur

Net Cash provided (used) by I. A

Disclosaur → بتظهر فيه كل العمليات غير النقدية

بعد القائمة تماما"

Question Two

During 2016, Strength Company sold a building with a book value of $160,000 for proceeds of $140,000. The company also sold long-term investments for proceeds of $55,000. The company purchased land and a new building for $620,000 by signing a long-term note payable. No other transactions impacted long-term asset accounts during 2016.

Instructions

Compute net cash flows from investing activities

+ Decrease :	Building Sold	140,000
+ −//	: LTI Sold	55,000
Net Cash Provided By I.A		195,000

3) C.F From Financing
- → Δ in Non Current Liability
  - → Increase → In Cash → +
    - → Non Cash → Disclosaure
  - → Decrease → In Cash → −
    - → Non Cash → Disclosaure
- → Δ in Equity
  - → Share . Capital → in Cash → + (Net. Proceeds)
    - → Non Cash → Disclosaure
  - → Payment of cash Dividends → −
  - → R/E → لا تتأثر في القسم هاد
  - → Δ T.S → Increase → −
    - → Decrease → +

Net cash Provided (used) by F.A

Question Three

Move Company issued ordinary shares for proceeds of $34,000 during 2016. The company paid dividends of $5,000. The company also issued a long-term note payable for $70,000 in exchange for equipment during the year. The company sold treasury shares that had a cost of $8,000 for $3,000.

Instructions

Compute net cash flows from financing activities.

Issuance of New share	34,000
Payment of Cash Div	(5,000)
Sold Trusary shares	3,000
Net Cash Provided By F.A	32,000

علشان أعد Cash Flow statement بيلزم عرضين

1) Income statment للسنة الحالية

2) Financial Position لفترتين على الاقل

* Free Cash Flows

→ C.F.O - Capital Expenditure - Cash Dividends

• CFO → Cash Flows operating Activities

Question Four

Daimler Enterprises reported cash flow from operations of $342,000. The company made capital expenditures of $112,000 and paid dividends of $34,000.

Instructions

Compute free cash flow.

Free cash Flows = 342,000 - 112,000 - 34,000

= 196,000

Comprehensive Question

A comparative Financial Statement for Lyon Company appears below:

Laila COMPANY
Comparative Financial Statement

	Dec. 31, 2016	Dec. 31, 2015
Assets		
Long-term investments	-0-	18,000
Equipment	60,000	32,000
Accumulated depreciation—equipment	(18,000)	(14,000)
Prepaid expenses	6,000	9,000
Inventory	27,000	18,000
Accounts receivable	18,000	14,000
Cash	$ 23,000	$10,000
Total assets	$116,000	$87,000
Stockholders' Equity and Liabilities		
Ordinary shares	40,000	23,000
Retained earnings	22,000	10,000
Bonds payable	37,000	47,000
Accounts payable	$ 17,000	$ 7,000
Total stockholders' equity and liabilities	$116,000	$87,000

Additional information:

1. Net income for the year ending December 31, 2016 was $24,000.
2. Cash dividends of $12,000 were declared and paid during the year.
3. Long-term investments that had a cost of $18,000 were sold for $16,000.
4. Sales for 2016 were $120,000.

Instructions

Prepare a statement of cash flows for the year ended December 31, 2016, using the indirect method.

Comprehensive Question هاد السؤال مهم

1) C.F From Operating Activities

Net income	24,000
+ Depr Exp	4,000
+ Loss on Sale of LTI	2,000
+ Decrease in prepaid Exp	3,000
+ Increase in AP	10,000
- " " inventory	(9,000)
- " " AR	(4,000)
Net cash provided by O.A	30,000

2) C.F From Investing Activities

Sales of Long Term Invest.	16,000
Purchase of Equipement	(28,000)
Net Cash Used By I.A	(12,000)

3) C.F From Financing Activities

Issuance of New shares	17,000
Repayment of ~~Cash Dividend~~ B.P	(10,000)
Payment of Cash Dividends	(12,000)
Net Cash used By F.A	(5,000)
Net increase in cash	13,000
Cash Beg. Balance	10,000
Cash Ending Balance	23,000